



PKF worldwide tax update

September 2025

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Welcome

In this third quarterly issue for 2025, the PKF Worldwide Tax Update newsletter again brings together notable tax changes and amendments from around the world, with each followed by a PKF commentary which provides further insight and information on the matters discussed. PKF is a global network with more than 510 offices, operating in over 150 countries across our five regions, and our tax experts specialise in providing high quality tax advisory services to international and domestic organisations in all our markets.

In this issue featured articles include discussions on:

- Significant personal and corporate income tax changes in Hungary, Ireland, Kenya and the US
- International tax developments (CFC/thin cap, CbC reporting, BEPS, MLI, Pillar 2, double tax treaties, transfer pricing, etc.) in Australia, Hong Kong, Mexico, South Africa and Ukraine.

We trust you find the PKF Worldwide Tax Update for the third quarter of 2025 both informative and interesting and please do contact the PKF tax expert directly (mentioned at the foot of the respective PKF commentary) should you wish to discuss any tax matter further or, alternatively, please contact any PKF firm (by country) at www.pkf.com/pkf-firms.



Australia

Global and domestic minimum tax compliance: ATO releases draft PCG 2025/D3

On 16 July 2025, the ATO released draft Practical Compliance Guideline PCG 2025/D3 for public consultation. The guideline outlines the ATO's transitional administrative and compliance approach with respect to lodgement and penalty enforcement for entities subject to the global and domestic minimum tax (minimum tax) under the Australian Global Anti-Base Erosion model rules (GloBE) as part of Pillar 2 implementation.

Comments on the draft PCG were due by 29 August 2025. Once finalised, the PCG is proposed to take effect from 1 January 2024 and will apply to lodgements for fiscal years commencing on or before 31 December 2026 and ending on or before 30 June 2028 (the transition period).

Recap of the GloBE rules

Multinational enterprise (MNE) groups, including Australian constituent entities, that meet the €750 million consolidated revenue threshold in at least two of the four fiscal years preceding the test year will generally be subject to the GloBE rules.

Where the global effective tax rate of the MNE group is below the minimum 15% tax rate, the rules may impose top-up tax under three mechanisms:

1. **the income inclusion rule (IIR), which applies to the parent entity;**
2. **the domestic minimum tax (DMT), which applies to low-taxed profits in Australia; and**
3. **the undertaxed profits rule (UTPR), which acts as a backstop where the IIR does not apply.**

The IIR and DMT apply to fiscal years starting on or after 1 January 2024, while the UTPR applies to fiscal years starting on or after 1 January 2025.

Lodgement obligations for Australian entities under minimum tax

Australian entities subject to the minimum tax are required to lodge the following:

- the GloBE information return (GIR);
- the foreign notification form (FNF);
- the Australian IIR/UTPR tax return (AIUTR); and
- the Australian DMT tax return (DMTR).

The FNF, AIUTR and DMTR are consolidated into a single lodgement known as the combined global and domestic minimum tax return (CGDMTR).

The due date for lodgement and payment is 18 months after the end of the MNE group's GloBE transition year and 15 months after the end of subsequent fiscal years.

Each Australian group entity must lodge a GIR unless a designated local entity (DLE) is nominated to lodge on behalf of all entities under a one-in, all-in approach.

The GIR may alternatively be lodged in a foreign jurisdiction by the ultimate parent entity (UPE) or designated filing entity (DFE), provided the jurisdiction has a qualifying competent authority agreement (QCAA) with Australia and the GIR is lodged by the due date.

If the GIR is lodged in a foreign jurisdiction but not exchanged with the ATO, the ATO may require Australian entities to lodge the GIR locally within 21 days of receiving written notice.

All Australian group entities must lodge an FNF, although a DLE may be appointed to lodge on behalf of all entities.

Similarly, MNE groups may nominate a DLE to lodge the CGDMTR. Where a DLE is appointed, all entities are deemed to have lodged at the time the DLE lodges. If the DLE lodges late, all entities are deemed to have lodged late.

The Commissioner has discretion to defer the due date for the AIUTR and DMTR, but not for the FNF.

Penalties under the minimum tax regime

Administrative penalties may apply where entities subject to the minimum tax regime fail to meet key compliance obligations. These include:

1. **Failure to lodge (FTL):** Penalties arise when required forms are not lodged on time, including cases where a DLE fails to lodge on behalf of the group entities, or where the GIR is not lodged in Australia or a qualifying foreign jurisdiction.
2. **False or misleading statements:** Penalties apply for making false or misleading statements, adopting a position that is not reasonably arguable or failing to provide a return, notice or document that results in a default assessment.
3. **Failure to maintain records:** Entities may be penalised for not keeping adequate records to support their tax positions and compliance with minimum tax obligations.

The **base penalty amount (BPA)** for these infractions is aligned with the framework applicable to **significant global entities (SGEs)**. Specifically:

- **FTL penalties** are calculated at **500 times the BPA**.
- Penalties for false or misleading statements, or failure to provide required documentation, are **doubled** relative to standard administrative penalties.

ATO's transitional compliance approach

The ATO's compliance approach during the transition period is aligned with the OECD's transitional penalty relief framework.

During the transition period, penalties or sanctions will generally not apply in connection with the filing of the GIR, provided the MNE group has taken **reasonable measures** to correctly apply the GloBE rules.

The ATO will adopt a '**soft-landing**' approach to penalty enforcement where the MNE group can demonstrate that it has acted in good faith and

made genuine efforts to understand and comply with its lodgement obligations.

However, the ATO will not be providing blanket penalty concession to all MNE groups during the transition period. The onus remains on MNE groups to substantiate that reasonable measures have been taken.

The ATO expects that the tax functions of Australian constituent entities are aware of these expectations and are actively developing systems and capabilities to ensure compliance with the relevant reporting and lodgement obligations.

Examples of **reasonable measures** include:

- timely preparation and planning for lodgement of returns;
- maintaining adequate documentation to support positions taken;
- proactively engaging with the ATO where delays are anticipated; and
- promptly identifying and correcting errors, including notifying the ATO when amendments to the GIR or CGDMTR are required.

MNE groups may refer to paragraph 48 of PCG 2025/D3 for examples of acceptable evidence, such as internal policies, implementation plans and system updates.

Transitional compliance approach – Remission of penalties and lodgement deferrals

As part of the ATO's transitional compliance approach to the minimum tax regime, MNE groups will be given the opportunity to request remission of any FTL penalties **before** such penalties are posted to their client account in ATO systems.

The ATO will generally grant **full remission** where MNE groups proactively engage and provide evidence that they have taken **reasonable measures** to comply with their lodgement obligations.

The ATO acknowledges that **unforeseen circumstances** – such as newly enacted legislative

amendments requiring significant updates to reporting systems – may result in lodgement delays. In such cases, the grounds for remission outlined in **PS LA 2011/19** will be considered.

Early engagement is encouraged to allow the ATO to take appropriate action and support MNE groups through the transition.

In relation to **lodgement deferrals and suspension of enforcement action**, the ATO will have regard to PS LA 2011/15. Where delays are anticipated, the DLE should request:

- suspension of lodgement enforcement action for the **GIR** and **FNF**; and
- lodgement deferral for the **AIUTR** and **DMTR**.

While the ATO does **not have discretion** to defer the lodgement due date for the GIR or FNF, it may agree to **suspend enforcement action** during the transition period by temporarily withholding compliance action on overdue lodgements.

Requests for **lodgement and payment deferrals** must be made **separately**, and will be assessed with regard to factors such as avoidance, fraud, evasion or poor compliance history.

Implications of deferral or suspension

If granted:

- FTL penalties for deferred lodgements are calculated from the **new due date**; and
- FTL penalties during suspension may accrue from the **original due date** until lodgement.

During the transition period, the ATO will generally remit FTL penalties **in full** if obligations are met before the suspension lapses. While each entity may be liable for separate penalties, the ATO will typically reduce this to:

- **one FTL penalty** for the MNE group's CGDMTR; and
- **one FTL penalty** for the MNE group's GIR.

However, penalties may still apply where MNE groups **fail to undertake reasonable measures**.

The ATO outlines **six illustrative scenarios** in PCG 2025/D3 that clarify when **FTL penalties** will or will not be imposed during the **transition period** under the minimum tax regime.

Summary

Draft PCG 2025/D3 reflects the ATO's commitment to supporting MNE groups through Australia's implementation of the GloBE rules, consistent with the OECD's recommended transitional approach. While the guideline provides for a concessional compliance framework, it also sets a clear expectation: taxpayers must take **reasonable measures** and act in **good faith** to understand and meet their lodgement obligations under the minimum tax regime.

Where genuine circumstances prevent timely lodgement, the ATO may exercise its discretion to grant lodgement deferrals, suspend enforcement action or remit penalties – provided the taxpayer can demonstrate proactive engagement and reasonable compliance efforts.

It is critical that taxpayers establish who is responsible for lodging the GIR – whether via the UPE or DFE under a QCAA, or through a DLE in Australia.

For the FNF, AIUTR and DMTR, taxpayers should confirm whether a DLE will lodge on behalf of all Australian group entities under a one-in, all-in approach. This will help streamline the lodgement process and reduce administrative risk.



PKF Comment

For further information or advice in relation to this, or with respect to Australian taxation, please contact Joseph Phan at jphan@pkf.com.au or call +61 431 110 241.

BACK

Hong Kong

Hong Kong's company re-domiciliation regime

Background

To strengthen Hong Kong's position as a global business and financial hub, the government of the Hong Kong SAR introduced an inward company re-domiciliation regime ('the New Regime') which allows companies domiciled and carrying on a business outside Hong Kong to relocate their legal domicile to Hong Kong without creating a new legal entity. The New Regime preserves corporate identity, maintains continuity of business operations and provides access to Hong Kong's business-friendly environment and robust legal framework.

The Companies (Amendment) (No. 2) Ordinance 2025 was gazetted and came into operation on 23 May 2025 and amends the Hong Kong Companies Ordinance (Cap. 622) and related laws, including the Hong Kong Inland Revenue Ordinance ('the IRO'), to implement the New Regime.

Tax implications for re-domiciled companies

Hong Kong's tax system is territorial and does not impose tax strictly based on residence or domicile. The basic charge to Hong Kong profits tax (i.e. corporate income tax) is contained in section 14 of the IRO, which provides that persons (including companies, regardless of their place of incorporation or tax residency) carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business.

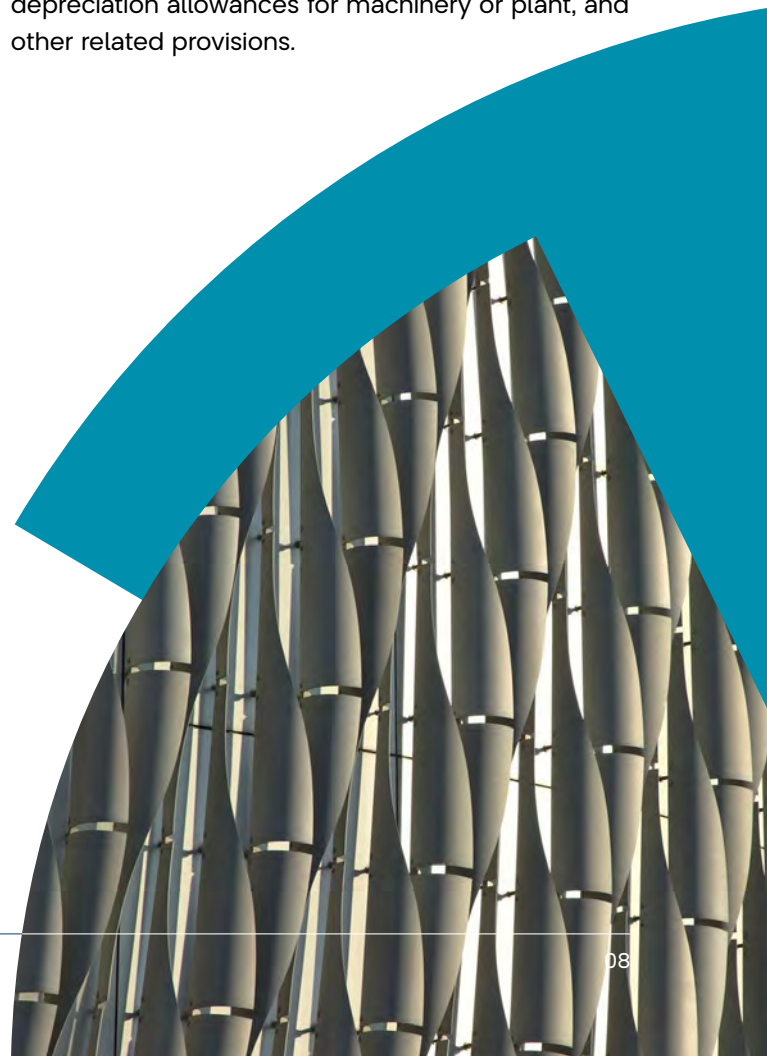
If a non-Hong Kong incorporated company has carried on a trade, profession or business in Hong Kong before re-domiciling to Hong Kong, and has derived profits chargeable to Hong Kong profits tax from such trade, profession or business prior to its re-domiciliation, it will be subject to profits tax on those profits. Re-domiciliation does not relieve the company of its profits tax liabilities in respect

of the pre-re-domiciliation period. However, if a non-Hong Kong incorporated company has never carried on any trade, profession or business in Hong Kong before re-domiciling, no profits tax will be charged on the company for the period before it commences business in Hong Kong.

Under the New Regime, re-domiciled companies are treated as Hong Kong incorporated entities, enabling them to access Hong Kong's extensive network of double tax agreements (DTA). Upon proof of deregistration from their previous jurisdiction, a Hong Kong certificate of resident status will be issued to a re-domiciled company by the Hong Kong Inland Revenue Department. However, it should be noted that benefits under DTAs depend on the recognition by partner jurisdictions and are subject to anti-abuse provisions, such as beneficial ownership and principal purpose tests.

Transitional tax rules

The New Regime also provides transitional tax arrangements for deducting expenses, claiming depreciation allowances for machinery or plant, and other related provisions.



For companies that are new to Hong Kong after re-domiciliation, expenses such as patent rights, capital assets and trading stock are deductible based on the lower of their actual cost (minus amortisation) or their market value at the time of re-domiciliation. Depreciation allowances for plant and machinery follow the same basis, while the tax basis for trading stock is determined by its market value at the time of re-domiciliation.

Unilateral tax credits

If a re-domiciled company has paid tax in its place of incorporation which is of substantially the same nature as profits tax on its unrealised income or profits because of company re-domiciliation, and after re-domiciliation, profits tax is also payable on the actual income or profits derived by the re-domiciled company, unilateral tax credits are available to the company to eliminate double taxation in the re-domiciliation year or any subsequent year of assessment.

The amount of actual income or profit for a particular year of assessment must not exceed the amount of unrealised income or profit. In addition, the amount of the tax credit for a particular year of assessment is capped at the lower of the profits tax payable on the relevant income or the foreign tax paid which is of substantially the same nature as profits tax.

Any excess foreign tax paid over the cap of the tax credit will be allowed as a deduction in ascertaining the assessable profits of the re-domiciled company for the particular year of assessment.

PKF Comment

The New Regime will reinforce Hong Kong's status as a global business hub by providing a robust legal framework that enables non-Hong Kong companies to relocate their domicile while maintaining their corporate identity and operations. Foreign companies seeking to re-domicile to Hong Kong should first understand the complexities of Hong Kong tax implications before applying for re-domiciliation to optimise tax outcomes and ensure compliance.

Hong Kong enacts Pillar 2 of BEPS 2.0

On 6 June 2025, the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 was enacted to give effect to Pillar 2 of the OECD Base Erosion and Profit Shifting 2.0 initiative.

The Hong Kong legislation closely follows the OECD's rules and commentary. The domestic minimum top-up tax in Hong Kong and the income inclusion rule are retroactively effective from 1 January 2025, while the undertaxed profits rule is to be implemented on a date to be specified by the Secretary for Financial Services and the Treasury at a later stage.

For further details, including compliance requirements and tax administration, please refer to the [March 2025 issue of our PKF Worldwide Tax Update](#).



PKF Comment

The introduction of the Pillar 2 legislation into Hong Kong law reinforces Hong Kong's commitment to global tax standards. It is imperative for in-scope multinational enterprise groups to continue familiarising themselves with these rules and to be cognisant of any updates or additional OECD guidance to be published in the future while seeking professional assistance as necessary.

For further information concerning the above or any service request with respect to Hong Kong taxation, please contact Henry Fung (Tax Partner) at henryfung@pkf-hk.com or call +852 2806 3822.

BACK

Hungary

2025 Summer Tax Package

This summary presents the most important changes adopted in the 2025 Summer Tax Package – adopted on 11 June 2025 by the Hungarian Parliament and gazetted on 19 June 2025 – that may also be of international interest.

Corporate income tax

The participation exemption is also applicable to cross-border transformations

In the case of cross-border transformations provided by Directive 2017/1132/EU, enterprises may benefit from the Hungarian participation exemption regime (which ensures corporate income tax neutrality for the sale and in-kind contribution of participations) if they report previously acquired but unreported participations to the Hungarian tax authority within 75 days following the cross-border transformation. Based on the relevant transitory provision, participations may be reported retrospectively if the cross-border transformation took place on or after 1 January 2024. The deadline for retrospective reporting is 3 September 2025.

PKF Comment

The participation exemption is only available if the reported participations had been held continuously for at least one year before the sale or in-kind contribution. In principle, this mandatory holding period applies from the date when the participation was recognised in the alienator's books. Transformations, mergers and demergers do not breach the holding period. However, it is still unclear whether a foreign enterprise becoming a Hungarian taxpayer as a result of a cross-border transformation may consider the original booking date of the participation (the holding period already lapsed in a foreign country) for the purposes of the Hungarian exemption regime.

Retail tax

The retail tax rate has been significantly increased

The Hungarian legislator has significantly increased the rates of the retail tax which is imposed on enterprises carrying out retail trading, online trading or distance sales in Hungary. As a result of the amendment, the following higher tax rates will apply to taxpayers in the retail sector for tax years beginning in 2025 and 2026:

Net sales revenue	Tax rate
Up to HUF 500 million	0%
Portion between HUF 500 million and HUF 30 billion	0.15%
Portion between HUF 30 billion and HUF 100 billion	1%
Portion exceeding HUF 100 billion	4.5%

Different rules apply to taxpayers engaged in retail sales of motor vehicle fuels (classified under NACE '25 47.3 – i.e. petrol stations). For these taxpayers, the current amendment establishes a special rule only for the tax year beginning in 2025. Unlike other taxpayers, they are subject to a flat 3% tax rate on the portion of their tax base exceeding HUF 500 million.



PKF Comment

Even enterprises established outside of Hungary may fall within the scope of the retail tax if they perform one of the relevant retail activities in Hungary.

Personal income tax

Extensive tax benefits have been granted for mothers

From 1 July 2025, maternity benefits, childcare benefits and adoption benefits are exempt from personal income tax. From October 2025, mothers of three or more children will enjoy lifelong personal income tax exemption on their labour income and this exemption will be extended to mothers having at least two children from 1 January 2026. The labour income of mothers under 30 is already exempt from personal income tax, up to the national average salary.

PKF Comment

These tax benefits are intended to extend the scope of the existing personal income tax allowances provided for families. The general tax base allowance for families remains in place with increased tax savings (i.e. HUF 15,000 in case of one dependent child, HUF 30,000 per child in case of two dependent children and HUF 49,500 per child in case of three or more dependent children) applicable from 1 July 2025.

Extra-profit tax on financial institutions

The extra-profit tax on financial institutions, introduced under the state of emergency, has now been enacted and elevated to a statutory level with a slight increase in the tax rates. For the portion of the tax base not exceeding HUF 20 billion, the tax rate will rise from 7% to 8%, and for the portion exceeding that, it will increase from 18% to 20%. Tax reliefs are granted if the financial institution invests its liquid assets in Hungarian government bonds.

PKF Comment

The Hungarian government imposed windfall taxes on several sectors by government decrees in the years 2020–2022. Of these, only the windfall tax levied on financial institutions has been retained, but it has been enacted into law.

Advance tax rulings

The preliminary official consultation has been reintroduced

The general rules on advance tax rulings are extended by reintroducing the preliminary consultation (previously withdrawn at the end of 2018) via an electronic platform which can be initiated by the taxpayer prior to filing the ruling request.

Statutory fees for advance tax ruling requests have been increased

For standard agreements, the fee for the official procedure is HUF 12 million (standard procedure) or HUF 16 million (expedited procedure). In all other cases, HUF 10 million (standard) or HUF 14 million (expedited) is payable. The reintroduced preliminary consultation is subject to a statutory fee of HUF 1 million per consultation.

Global minimum tax

Extended penalties for non-compliance with reporting and filing obligations

The penalties concerning non-compliance with reporting and filing obligations related to global minimum tax remain unchanged. However, a new provision allows the tax authority to impose a penalty of HUF 10 million for incomplete, incorrect, delayed or false data reporting.

PKF Comment

For further information or advice concerning the above or any advice with respect to Hungarian taxation, please contact Krisztián Vadkerti at vadkerti.krisztian@pkf.hu or call +36 1 391 4220.

BACK ↗

Ireland

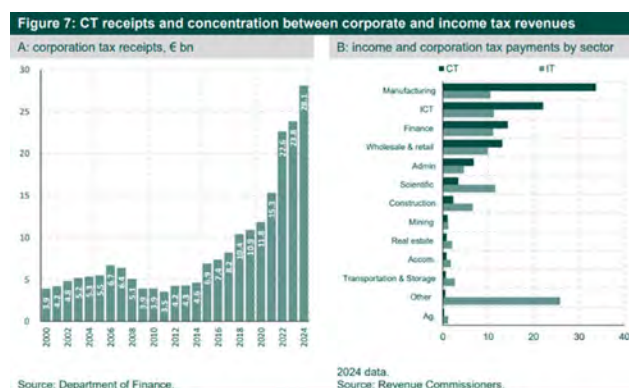
Summer Economic Statement 2025

On 22 July 2025, the Minister for Finance Paschal Donohoe and the Minister for Public Expenditure Jack Chambers published the government's [Summer Economic Statement 2025](#), a document that sets out the government's budgetary strategy and outlines the fiscal parameters within which discussions will take place ahead of [Budget 2026](#), due to be released on 7 October 2025.

An overall package of €9.4 billion is being made available, consistent with expenditure growth of 7.3%. The package is composed of additional public spending amounting to €7.9 billion and taxation measures amounting to €1.5 billion. €5.9 billion is being provided for current expenditure, while €2 billion is being provided for capital expenditure under the government's revised National Development Plan.

The recent growth in tax revenue in Ireland is in a large part attributable to the rapid and significant increase in corporation tax receipts. While this is a well-recognised risk for the Irish public finances, the current uncertain geopolitical environment elevates the risk of an abrupt reversal in this revenue stream. The extent of exposure of Ireland's public finances to any potential reduction has also increased in recent years, inter alia due to stronger links between income and corporation tax revenues.

While tax revenues were at their highest ever level last year (€97 billion), just three tax revenue sources accounted for approximately 90% of the total tax take; income tax (36%), corporation tax (29%) and VAT (23%). The government is taking into account this fiscal vulnerability in setting out its budgetary strategy.



Residential premises rental income relief

A new relief was introduced for landlords which is due to apply for tax years 2024 to 2027. To qualify for this relief, the landlord must be a qualifying landlord and the premises must be a qualifying premises.

A qualifying landlord is an individual who meets the following criteria:

1. owns a qualifying premises (see below);
2. holds a valid tax clearance certificate; and
3. is local property tax compliant.

A qualifying premises is a premises which is:

1. rented under a tenancy which is registered with the Residential Tenancy Board (RTB);
2. rented to a tenant and is a formerly rent controlled premises not required to be RTB registered;
3. rented to a local authority; or
4. actively marketed for rent.

The above criteria for both a qualifying individual and a qualifying premises must be satisfied on 31 December in the relevant tax year.

If a property is jointly owned, each owner will be entitled to a percentage of the relief based on the percentage of the rental income they are entitled to from the property. If an individual owns more than one property, he/she is entitled to a single tax relief. The relief is not available where the premises is rented to a connected person such as a family member or relative.

The maximum relief available in 2024 is the lower of €600 or 20% of rental income from residential premises (after capital allowances and losses carried forward have been utilised).

Cessation of VAT fixed direct debit scheme

The Revenue Commissioners introduced a new variable direct debit (VDD) facility in June 2025 for VAT payments. The fixed direct debit option will no longer be offered and will be phased out gradually as customers transition to the new system.

The Revenue Commissioners previously introduced the VDD facility in January 2019 for payments related to employer income tax, PRSI, USC and LPT as part of the PAYE modernisation project. The same approach is now being extended to VAT.

This means the following changes for businesses availing of the existing direct debit scheme:

- VAT return filing obligations will change from an annual return to a bimonthly return schedule.
- Under the VDD facility, the Collector General will debit the exact value of the VAT due from a customer's bank account on the due date, rather than a fixed monthly amount. This will ensure that businesses pay the correct tax amount on time.

The Revenue Commissioners will be in touch with businesses on a phased basis ahead of the business's VAT period end to provide instructions on transitioning to the new VDD facility.

This is a significant change to the VAT filing and payment obligations of businesses and owners will have additional work to do in maintaining their records and funding VAT payments from cash flow.

Research and development tax credits

Companies with a financial year end of 31 December 2024 are due to file their corporation tax return for this period on or before 23 September 2025. The following changes to the expenditure incurred by a company on research and development (R&D) apply to these returns:

- For accounting periods commencing on or after 1 January 2024, the tax credit available has increased from 25% to 30%.

- The first-year payment threshold has doubled from €25,000 to €50,000.

Pre-filing notification requirement

For accounting periods commencing on or after 1 January 2024, companies that are: (i) claiming R&D tax credits for the first time; or (ii) have not submitted an R&D claim in the three accounting periods prior, must pre-notify Revenue before making an R&D claim. Companies are required to submit a pre-filing notification form at least 90 days before the claim for the credit is made.

The actual R&D credit claim is required to be filed within 12 months after the end of the relevant accounting period.

The information required includes:

- company name, address and corporation tax number;
- description of the R&D activities;
- number of employees carrying on R&D activities; and
- details of expenditure incurred by the company on R&D activities which has been or is to be met directly or indirectly by grant assistance.

Where a claim relates to expenditure incurred under section 766D, the company must provide the following details:

- the name, address and corporation tax number of the company;
- confirmation that the building or structure is a qualifying building;
- the proportion of the qualifying building which is to be used for the purpose of carrying on R&D activities by the company; and
- details of expenditure incurred by the company which has been or is to be met directly or indirectly by grant assistance or other assistance.

It is important to note that Revenue may require additional information, explanations and any other assistance which may reasonably be required for the purposes of inspecting the information which is provided as part of the pre-filing notification.

Capital acquisitions tax (CAT) – Filing obligations for certain family loans

CAT is an Irish tax which applies to gifts and inheritances received by an individual. A new CAT filing obligation now applies for certain family loans (specified loans), being any loan, advance or any form of credit that is:

- received from a close relative (being someone related under CAT group A or group B thresholds);
- received from a company of which a close relative is the beneficial owner;
- provided by a relative to a company of which the individual is the beneficial owner; or
- made between two companies where beneficial owners of both are close relatives.

For the year 2025 onwards, a CAT return is required where:

- the individual is deemed to have taken a gift in respect of a specified loan set out above; and
- the combined balance of the loan, or any other specified loans, exceeds €335,000.

For the year 2024, an individual is required to file a CAT return where:

- the individual is deemed to have taken a gift in respect of a specified loan set out above;
- no interest was paid on the loan within six months of the end of the year of that gift; and
- the combined balance of the loan, or any other specified loan, exceeds €335,000.

In the context of a loan, a person will be deemed to take a gift in respect of that loan if they have not paid full consideration for the benefit of the loan, for example, where no interest is paid on the loan or interest is paid but at a below-market rate.

For CAT purposes, the gift is the interest-free element of the loan, rather than the loan itself. Where a loan is interest-free, the person will take a gift of an amount equal to the best price obtainable for use of the loan capital. If interest is paid but at a below-market rate, the person will take a gift equal to the difference between the interest paid

and the best price obtainable for use of the loan capital. In practice, Revenue accept the highest rate of return the person making the loan could obtain on investing the funds on deposit as the best price obtainable for use of the loan capital.

Information required

The following information is required on filing the relevant CAT return:

- name, address and tax reference number of the person the loan was received from;
- the market value of the free use of the loan; and
- the balance outstanding on the loan.

Filing deadlines

The following dates are important to keep in mind when filing the relevant CAT return:

- For loans in place at the end of a tax year, the due date for filing the required return is 31 October in the following year.
- For loans repaid during a tax year, if repaid prior to 31 August, the due date is 31 October in that year. If repaid after 1 September, the due date is 31 October in the following year.



PKF Comment

If you believe the above may impact your business or personal situation or require any advice with respect to Irish taxation, please contact Michael O' Leary at michael@pkfbl.ie or call +353 (01) 668 9760.

BACK

Italy

Simplified rules for missing or incorrect invoices and VAT payment removed

The recent amendment to art. 2 of Leg. Decree No. 87/2024, the so-called 'Sanctions Decree', introduces significant updates to the rules outlined in art. 6 (8) of Leg. Decree No. 471/1997, affecting how businesses handle situations involving missing or specific cases of incorrect invoices.

The most notable change is the elimination of the VAT payment obligation (either fully or partially) when regularising omitted or erroneous invoices.

Under the previous rules:

- If an invoice wasn't received within four months of the transaction, the buyer had to issue a self-invoice by the end of the subsequent month.
- For irregular invoices, corrections had to be made within one month of the invoice's registration.

From now on, both cases are treated under the same rules:

- Taxpayers have 90 days to regularise from the date the invoice should have been issued or from the date an incorrect invoice was issued.
- The administrative sanction is reduced from 100% to 70% of the unreported tax.
- Taxpayers do not have the duty to verify subjective VAT-related claims made by the invoice issuer when these claims cannot be objectively verified.



PKF Comment

If you believe the above measure may have an impact on your clients and you need to be supported on this subject, our team in Italy is available to provide any additional information you may need.

You can contact our professionals at PKF Studio TCL - Tax Consulting Legal g.podesta@pkf-tclsquare.it or call +39 010 8183250 (Genoa office).

BACK

Kenya

Key tax amendments in 2025

1. Carry forward of tax losses

Finance Act (FA 25) has narrowed down the time tax losses can be carried forward from an indefinite period to five years, effective from 1 July 2025.

A tax loss is only allowable on taxable income derived from the same specific source. These sources include income from renting or occupation of immovable property, income from withdrawals from a registered pension/provident fund by the employer, income from employment, business activities and income from agriculture, horticulture, forestry, etc. Tax losses are not transferable from one entity to another.

2. Introduction of significant economic presence tax

Significant economic presence (SEP) tax was introduced by Tax Laws Amendment Act, 2024 (TLAA 24) of 27 December 2024. This replaced digital service tax (DST), which was applicable at the rate of 1.5% of the gross transactional value on the income of non-resident persons derived from or accrued in Kenya from the provision of services through a digital marketplace.

SEP tax is payable by non-resident persons without a permanent establishment (PE) and whose income is from the provision of services through a digital marketplace. FA 25 further expanded this to include services provided over the internet or electronic network, where the user of the service is located in Kenya. SEP tax is applicable at the rate of 30% of the deemed taxable profits. The taxable profit is deemed to be 10% of the gross turnover.

Resident service providers, providers with a PE in Kenya and non-residents providing services to the national carrier, Kenya Airways, are exempt from SEP tax. The Cabinet Secretary (CS) for the National Treasury was to issue SEP tax regulations within six months after commencement. However, as at 31 July 2025, these regulations were yet to be published.

3. Introduction of minimum top-up tax

TLAA 24 introduced a minimum top-up tax payable by a covered person if the combined effective tax rate (ETR) in respect of that person for a tax year is less than 15%, effective from 27 December 2024.

A covered person means a resident person or a person with a PE in Kenya who is a member of a multinational group, and the group has a consolidated annual turnover of €750 million or more in the consolidated financial statements of the ultimate parent entity in at least two of the four tax years immediately preceding the tested tax year.

The combined ETR for a covered person shall be the sum of all the adjusted covered taxes divided by the sum of all net income or loss for the tax year, multiplied by 100.

The amount of tax payable shall be the difference between 15% of the net income or loss for the tax year for the covered person and the combined ETR for the tax year, multiplied by the excess profit of the covered persons.

Adjusted covered taxes in this regard refer to taxes recorded in the financial accounts of a constituent entity for the income, profits or share of the income or profits of a constituent entity where the constituent entity owns an interest and includes taxes on distributed profits and deemed profit distributions, subject to such adjustments as may be prescribed.

FA 25 has further clarified that the deadline for paying minimum top-up tax is the end of the fourth month after the financial year end.

4. Transfer pricing – advance pricing agreements

FA 25 introduced a provision allowing taxpayers to enter into advance pricing agreements (APAs) with the Commissioner for transfer pricing (TP) purposes, which will be valid for a period of five years. The CS for the National Treasury is required to issue regulations for better implementation of APAs within six months from commencement of this provision.

5. Incentives for companies certified by Nairobi International Financial Centre Authority

TLAA 24 introduced a reduced capital gains tax (CGT) rate of 5% (previously 15%) for firms certified by the Nairobi International Financial Centre Authority (NIFCA), subject to the following conditions:

- a firm invested at least KSh3 billion in Kenya; and
- the transfer of such investments is made within five years.

FA 25 further introduced the following tax incentives for companies certified by NIFCA:

- Tax exemption on dividends paid by a company certified by the NIFCA where it reinvests at least KSh250 million in Kenya in that tax year;
- 15% income tax rate for the first 10 years and 20% for the subsequent 10 years where:
 - the company invests at least KSh3 billion in Kenya in the first three years of operations;
 - if the company is a holding company, at least 70% of its employees in senior management are Kenyan citizens; and

- if the regional headquarters of the company is in Kenya, at least 60% of its employees in senior management are Kenyan citizens.
- In the case of a start-up certified by the NIFCA, income tax rate of 15% for the first three years and 20% for the following four years.

6. Withholding tax on supply of goods to public entities

TLAA 24 introduced withholding tax (WHT) at the rate of 0.5% for resident persons and 5% for non-resident persons on the supply of goods to a public entity with effect from 27 December 2024. A public entity is defined to mean a ministry, state department, state corporation, county department or agency of the national or county government.



PKF Comment

For further information or advice on Kenyan taxation, please contact Michael Mburugu at mmburugu@ke.pkfea.com or call +254 20 42 70000.

BACK

Mexico

INFONAVIT publishes deadline for implementing reform on payroll withholdings during employee absences

On 15 May 2025, the Official Gazette of the Federation ('DOF') published a notice issued by INFONAVIT (the National Workers' Housing Fund Institute), setting out the legal deadline granted to employers to adapt their systems and administrative processes in connection with the reform to article 29 of the INFONAVIT Law, enacted on 21 February 2025.

This reform provides that payroll withholdings for INFONAVIT credit repayments should not be suspended during employee absences or periods of temporary disability, in line with the provisions of the Social Security Law.

In these cases, companies shall treat this withholding paid to INFONAVIT as a cost because they will be obliged to pay it in the event of employee absences. In normal schemes, this withholding is retained from employees' wages and, in case of absence, the company is obliged to pay it to INFONAVIT.

INFONAVIT has granted a transition period for implementation. The new rule will become mandatory starting with payroll payments corresponding to the fourth two-month period of 2025 (July–August), and the relevant payment must be remitted no later than 17 September 2025.

Key risks:

- Misapplication of withholdings may result in fines or penalties imposed by INFONAVIT.
- Companies registered with the REPSE platform that fail to comply may receive a negative compliance opinion, potentially jeopardising their registration with the Ministry of Labour ('STPS').
- The risk of labour disputes may increase if employees detect errors in withholdings applied during disability periods.

New rules for exports using own transportation: Mandatory use of digital tax receipt with bill of lading complement

The Mexican Tax Administration Service ('SAT') has amended rule 2.7.7.2.7 of the 2025 Miscellaneous Tax Resolution, introducing significant changes for companies that export goods using their own means of transportation.

Key modifications:

- The obligation to include the foreign trade complement in the digital tax receipt ('CFDI') of the 'transfer' type has been eliminated.
- From 14 May 2025, all definitive exports carried out with the exporter's own transportation must be supported by a CFDI of the 'transfer' type with bill of lading complement – [Complemento Carta Porte](#) (CCP).
- If the mode or means of transport changes during the route (e.g. from truck to train), even if all means belong to the same exporter, a new CFDI of the 'transfer' type with CCP must be issued and linked to the previous one.
- In cases where the border crossing is carried out by a third-party transportation provider, the obligation remains to issue a CFDI of the 'income' type with CCP.
- The fiscal folio of the CFDI with CCP will be used for customs clearance purposes, in accordance with rules 2.4.12 and 3.1.33 of the General Rules on Foreign Trade.

These provisions introduce new administrative and logistical burdens, particularly for exporting companies that:

- use their own transportation fleet;
- conduct intermodal operations (e.g. truck–rail combinations); or
- manage the border crossing internally before outsourcing to a third party.

Companies are advised to review and update their CFDI issuance procedures, documentation controls and logistics systems to ensure timely compliance with these new requirements.

SAT modernises remote services: New virtual office with video call functionality

On 1 July 2025, SAT launched a new version of its remote service channel, the Virtual Office, now featuring integrated videoconference capabilities. This new platform allows taxpayers to carry out procedures without the need to install any external software or applications.

Through a secure link sent by email, users can now access their scheduled appointment from any internet-connected device. The update aims to streamline the service process, eliminate technological barriers and facilitate remote tax compliance both within Mexico and from abroad.

Among the procedures now available through the Virtual Office are:

- registration in the federal taxpayers' registry ('RFC') for individuals;
- tax domicile updates;
- correction or update of name and unique population registry code ('CURP');
- issuance of tax certificates; and
- personalised tax assistance and guidance.

Additionally, Mexican nationals residing abroad who currently do not have any active tax obligations in Mexico may now register in the RFC remotely, without the need to visit a consular office.

The platform was developed internally by SAT personnel, incurred no additional cost and is offered completely free of charge. This initiative forms part of SAT's broader commitment to digital transformation and improving taxpayer access to government services.

New judicial precedent limits refiling of VAT refund requests

The Mexican Supreme Court has issued a binding judicial criterion that restricts taxpayers from resubmitting VAT refund claims that were previously denied due to formal deficiencies.

If a refund request is rejected – for example, due to missing documents or failure to respond to a

tax authority request – and the taxpayer does not file a legal challenge, the same request cannot be submitted again for the same tax period.

Published on 11 July 2025, this precedent confirms that once the tax authority issues a resolution, even for formal reasons, it becomes final unless contested through a revocation appeal or administrative litigation.

Key implications:

- Taxpayers lose the right to refile if they do not legally challenge the initial rejection.
- A denial for formal reasons is treated as definitive if not appealed, even if the refund is substantively valid.

Recommendations:

- Ensure all refund requests are complete and accurate before submission.
- Do not ignore a denial – seek immediate legal advice to preserve your right to recover the balance.

AML reform published

On 16 July 2025, a decree was published in the Official Gazette amending the Federal Law for the Prevention and Identification of Transactions with Illicit Proceeds ('LFPIORPI') and article 400 bis of the Federal Criminal Code. This reform represents a significant overhaul of Mexico's anti-money laundering (AML) framework.

Key changes include:

- expanded definitions, including formal recognition of politically exposed persons (PEPs), a broader scope for clients and users and a lower threshold for identifying beneficial ownership;
- new vulnerable activities added and reporting thresholds revised to increase regulatory coverage;
- stricter obligations for notaries, real estate developers and entities dealing with virtual assets and prepaid instruments;
- new compliance requirements for reporting entities, including formal risk assessments, internal AML policy manuals, extended record

retention periods and mandatory reporting of suspicious or attempted transactions within 24 hours; and

- additional obligations for corporate entities to register and maintain beneficial ownership data with the Ministry of Economy.

The reform strengthens AML supervision, enhances transparency and broadens the enforcement tools available to authorities.

The decree entered into force on 17 July 2025, with a 12-month period for issuance of secondary regulations and phased implementation.

Mexican tax authority intensifies transfer pricing enforcement

On 26 May 2025, SAT announced that transfer pricing audit activity and resulting adjustments imposed on large taxpayers during the current administration's first term (2019–2024) generated MX\$106 billion (approximately US\$5.3 billion) in additional tax revenue. This figure reflects a 279% increase compared to the MX\$28 billion (US\$1.4 billion) collected during the prior six-year period (2013–2018).

These results, published in SAT's most recent compliance report, underscore the effectiveness of its strengthened transfer pricing enforcement strategy under the current government's [Fourth Transformation](#) policy agenda. The figures represent the most significant advancement in Mexico's transfer pricing regime in over a decade.

This achievement is largely attributed to the specialised work of SAT's Transfer Pricing Division, which has implemented a more rigorous framework aimed at curbing profit shifting abroad – an activity that undermines the country's corporate income tax (CIT) base. It is worth noting that many of the affected taxpayers are part of multinational enterprise (MNE) groups with growing economic substance in Mexico.

Corporate implications of SAT's transfer pricing enforcement

Risk reassessment

The significant increase in TP-related tax collections signals heightened exposure for corporate taxpayers, requiring an immediate reassessment of transfer pricing risks.

Enforcement efficiency impact

SAT's enhanced audit capabilities compel MNE groups to revise their tax risk matrices with greater scrutiny and responsiveness.

Documentation imperative

Comprehensive, technically sound TP documentation – aligned with functional analysis, asset utilisation and applied methodologies – is now a business-critical requirement.

Policy alignment

Internal transfer pricing policies and profit margins must be urgently reviewed for consistency with supporting documentation and filed returns.

Cross-border compliance burden

The uptick in audit activity imposes stricter contemporaneous documentation standards on both domestic and multinational entities engaged in related-party transactions.



PKF Comment

If you believe any of the above measures may impact your business or personal situation or require any advice with respect to Mexican taxation, please contact Jose Angel Trillo at jtrillo@pkf.com.mx or call +52 (81) 8363 8211. Regarding transfer pricing matters in particular, you can reach out to Jimmy Cruz at jimmy.cruz@pkf.com.mx or call +52 (33) 3122 2081.

BACK

Peru

Tax authority clarifies qualification of digital services

Reassessment of the criteria for online customer technical support and consulting services via videoconference or email

Through Report No. 000039-2024-SUNAT/7T0000 of 6 June 2024, SUNAT (Peru tax authority) stated that for income tax purposes, non-automated technical support and consulting services provided online (via videoconference, electronic platform or email) are considered taxable digital services, provided they are used or consumed in Peru.

Report No. 000046-2025-SUNAT/7T0000 of 29 April 2025 has repealed the aforementioned report, indicating that the following services provided by non-resident individuals and used or consumed in the country do not qualify as digital services for income tax purposes:

- i. technical support services provided online through an electronic platform, through which service users submit enquiries that are answered by technicians via the same platform or by email; and
- ii. consulting services provided through regular means, that is, in person and/or by telephone and/or videoconference, the results of which are delivered to the service user via email.

The April 2025 report concluded that the aforementioned services are not considered digital services because the use of platforms or email is solely for communication purposes and does not constitute the means of accessing or executing the service itself (whether technical support or consulting). Therefore, they do not meet the essential characteristics of a digital service provided over the internet.



PKF Comment

If you believe the above measures may impact your business or require any advice with respect to Peruvian taxation, please contact Renato Vila at rvila@pkfperu.com or call +51 142 16 250.

BACK

South Africa

Transfer pricing documentation to support South African exchange control rules

Exchange controls were first introduced in South Africa in 1939 and are currently administrated by the South African Reserve Bank (SARB) through the Financial Surveillance Department (FSD) on behalf of the National Treasury. The FSD is responsible for the day-to-day administration of exchange controls in South Africa with the support of 'authorised dealers' (AD), being the commercial banks of South Africa. Essentially, the purpose of the rules is to restrict or manage the inward and outward flow of foreign currency and capital in South Africa.

Over the decades and along with a number of updated exchange control circulars issued per the Currency and Exchange Manuals, exchange controls have been slightly relaxed. However, South Africa continues to enforce the exchange control rules upon various cross-border transactions which involve South African entities as well as individuals.

Transactions that are subject to exchange control rules include (but are not limited to):

- investment into South African companies;
- foreign loan funding to South African tax residents (which are also subject to specific criteria);
- directors' fees paid to non-resident directors; and
- dividends paid to the non-resident parent company (only allowed if the share certificate has been endorsed 'non-resident' within 30 days of acquiring ownership of the shares in a South African resident company).

Essentially, in order for these transactions to be effected, South African residents would need to make an application to the AD or FSD requesting prior approval to remit the funds abroad.

However, it was recently announced by the SARB that South African residents would no longer be required to request such approval from the FSD in relation to the following types of payments:

- payments for services rendered by non-residents;
- advance payments and down payments relating to future royalties or fees payable; and
- percentage-based fees, which would be allowed provided they are normal in the trade concerned.

This would allow for payment to non-residents in relation to these types of transactions to occur with slightly less administrative burden. The South African payer would be required, prior to effecting the payments, to provide the AD with a copy of the agreement entered into as well as the invoice which verifies the purpose and amount to be paid to the non-resident (Currency & Exchange Manual for Authorised Dealers June 2025 B.3(C)).

Where a transaction involves related parties, the payer of the transaction must provide confirmation to the AD from senior management of the payer that transfer pricing documentation is maintained in the prescribed form set out by the South Africa Revenue Service (SARS). This would be required



where the South African payer is subject to transfer pricing regulations (i.e. they meet the R100 million threshold or where an affected transaction is expected or reasonably expected to exceed R5 million). Where the payer is not yet subject to the transfer pricing rules, they are merely required to confirm that the related-party transactions are conducted at arm's-length prices.

In certain instances, the payer might also be required to submit the comparable benchmarking analysis, justifying that the pricing of the royalty and/or service fees charged has occurred at arm's length. Additionally, the inter-company agreements may also be requested.

Transfer pricing documentation is maintained as prescribed by SARS which is closely aligned with the guidance as contained in the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (although South Africa is not a member country of the OECD, it became a key partner to the OECD in 2007).



PKF Comment

If you believe the above measures may impact your business or personal situation or require any advice with respect to South African taxation and transfer pricing matters in particular, please contact Antonia Nicoloudakis at antonian@pkfoctagon.com or call +27 (0)10 003 0150.

Navigating the new trade terrain: What tariff shifts mean for South African business

In an era of intensifying global trade protectionism, the jury may still be out on the full extent of tariffs facing South Africa, but the warning signs are flashing. South African exporters and importers alike must prepare for a world where regulatory costs and complexity are rising – and where agility, data and strategic foresight will define who wins and who falls behind.

From evolving US trade policy to domestic tariff reforms, South African companies are finding themselves in the cross hairs of significant shifts in global commerce. The good news? With the right approach, local industries can mitigate risk – and even unlock new competitive advantages.

Tariff risk on the rise: Eyes on the US

While a final decision has not yet been made, the US is reviewing South Africa's eligibility for duty-free access under trade agreements, such as the African Growth and Opportunity Act (AGOA). Political and policy developments could lead to punitive tariffs being imposed on a range of South African exports in the coming months. If implemented, these measures would impact sectors such as steel, aluminium and potentially automotive components – all of which heavily depend on global market access.

There are nuances, however. Industries such as precious metals are not only exempt from proposed tariffs but are also currently benefiting from a surge in global demand and prices. The copper industry is another example – despite facing a proposed 50% tariff, strong global copper prices are acting as a buffer, aiding South African producers' profitability in the short term.

For others, such as automotive players like Volkswagen South Africa, the exposure is limited. Their leading export destination is the European Union, not the US, highlighting the importance of diversified markets and tailored trade strategies.

Domestic tariff reform: Closing the loopholes

Even closer to home, South Africa is making bold moves to protect its own industries, most notably textiles and apparel. Until recently, large online retailers like Temu and Shein took advantage of a 2007 concession that allowed them to pay a flat 20% duty on clothing imports with declared values under R500. These imports were also often misdeclared or undervalued, giving foreign players a tax advantage over local retailers and manufacturers.

In a landmark change, SARS has moved to impose a more appropriate 45% import duty – in addition to 15% VAT – on these products. While full implementation was delayed due to the complexity of systems integration, interim measures are now in place. A simplified clearance process, aligned with the World Customs Organisation framework, was rolled out earlier this year to enhance compliance and enforcement.

This is more than just tax reform – it's industrial strategy in action. By levelling the playing field, the government aims to support job creation, revitalise local manufacturing and nudge consumers back towards South African-made goods.

The road ahead: How businesses should respond

With both global and domestic tariff regimes in flux, the message to South African companies is clear: stay vigilant, stay agile.

- **Understand your exposure:** Companies must map out their supply chains and export markets to determine where tariff risks exist – and how they could escalate.
- **Scenario plan around policy changes:** From AGOA revisions to domestic tariff shifts, businesses must build flexible strategies that can withstand shocks or seize sudden openings.
- **Engage with regulators:** Proactive engagement with SARS and customs bodies is essential to ensure compliance, advocate for fair treatment and stay ahead of rule changes.
- **Invest in technology and data:** In retail, for example, local players will need to sharpen their e-commerce and pricing strategies as online giants adjust to new import costs. Digitisation and real-time data insights are no longer a luxury – they're a business imperative.
- **Reposition for local value:** Whether you're a manufacturer, exporter or retailer, now is the time to double down on localisation, build consumer trust and promote South African quality.

Turning challenge into competitive edge

Tariffs and trade policy are no longer the domain of policy experts alone – they are now boardroom issues. South African companies must view this evolving landscape not as a threat, but as an opportunity to modernise, innovate and take control of their competitive futures.

In a world of shifting rules, it's not just about avoiding penalties – it's about positioning your business for long-term resilience and relevance.



PKF Comment

If you believe the above measures may impact your business or personal situation or require any advice with respect to South African taxation, please contact Retief Smith at retief.smith@pkf.co.za or call +27 12 809 7000.

BACK

Switzerland

Autumn 2025 public votes on tax matters

The upcoming autumn 2025 public votes are particularly impactful for homeowners, high net worth individuals and taxpayers overall.

First step to the cancellation of the imputed rental value

On 28 September 2025, Swiss people will vote on the possibility for cantons and communes to levy a higher real estate tax, replacing the imputed rental value tax, in order to balance less taxable income. If the vote passes, this is the first step towards abolishing the imputed rental value. The cancellation of the imputed rental value could lead to a reform of the current taxation of homeowners. The long-term plan would be that homeowners would no longer have to declare a fictitious rental income. At the same time, deductions for mortgage interest and certain maintenance costs would be eliminated.

The proposal is controversial – balancing tax simplification and homeownership incentives.



PKF Comment

The cancellation of the deemed rental income would make tax compliance easier. On the other hand, homeowners would be tempted to reduce debt financing due to the reduced deductibility of interest payments. In addition, maintenance work and, in particular, investments into renewable energies (which are currently tax deductible) would probably significantly decrease in the long term, having a negative impact on the overall Swiss tax revenue.

Initiative for the future – Implementation of a federal gift and inheritance tax

On 30 November 2025, Swiss people will vote on an initiative for 'social climate policy', under which the social climate policy would be financed through the introduction of a federal gift and inheritance tax. Currently, there is no gift and inheritance tax at a federal level, though such taxes apply on a cantonal level (although some cantons have cancelled such taxes and, generally, gifts and inheritances to spouses as well as children are tax free).

The planned tax law stipulates a 50% tax for all gifts and inheritances above CHF 50 million, irrespective of the recipient and without exceptions. In addition, the tax would be effective retroactively from 30 November 2025.



PKF Comment

It is questionable whether the proposed tax law would lead to an overall increased tax income simply due to the fact that, in the event of implementation, recent studies show that high net worth individuals would leave Switzerland. In addition, bigger Swiss family-owned entities would have an issue with succession planning and most of them would not be able to cover the taxes. Naturally, this would lead to successors being forced to sell part of the entity to other investors.

For further information or advice concerning Swiss unilateral and international taxation, please contact Dominique Kipfer at dominique.kipfer@pkf.ch or Rilana Wolf-Bayard at rilana.wolf@pkf.ch or call +41 44 285 75 00.

BACK

Taiwan

Tax incentives for 'special foreign professionals'

Foreign professionals who want to benefit from Taiwan's tax incentives for 'special foreign professionals' **must apply for the appropriate employment permit or employment gold card when they first come to Taiwan for work.**

According to Taiwan's regulations, if qualified professionals are approved to work in Taiwan for the first time and meet all conditions – including staying in Taiwan for at least 183 days in a tax year and earning over NT\$3 million in salary – they may enjoy a **50% tax exemption on the portion of their salary that exceeds NT\$3 million**, for up to five consecutive years.

In order to benefit from the incentives, a foreign professional must:

1. hold either a special foreign professional employment permit issued by the Ministry of Labour or Ministry of Education or an employment gold card issued by the National Immigration Agency;
2. have been approved for the first time to reside in Taiwan for the purposes of work as a 'special foreign professional';
3. work in a professional field relating to recognised 'special expertise'; and
4. during the five years prior to the date of employment or issuance of a gold card, not had any household registration in Taiwan or been tax resident in Taiwan.

A common mistake is that foreign workers first come to Taiwan under a general work permit, and **only later** apply for a gold card or special permit. In that case, they will not qualify for the tax benefits, because the condition relating to first-time approval to reside in Taiwan for work is not met.



PKF Comment

If you believe the above measures may impact your business or personal situation or require any advice with respect to Taiwanese taxation, please contact Jamie Ho at jamieho@pkf.com.tw or call +886 8792 2628.

BACK



Ukraine

Updated penalties for transfer pricing reporting violations

On 25 March 2025, amendments to the Tax Code of Ukraine regarding the amount of certain penalties for violations of transfer pricing (TP) reporting deadlines came into effect. These changes primarily target the timely and accurate submission of reports on membership in a multinational enterprise (MNE) group and controlled transactions (CTs).

It is worth mentioning that in Ukraine, tax penalties are based on notional units known as the 'subsistence minimum for an employable person' (SM), set on 1 January of the relevant tax year. This unit reflects current economic indicators and is approved by the Ukrainian Parliament each year. The SM as of 1 January 2025 is UAH 3,028 (approximately €62). Please note that the amounts in brackets below are calculated as of 2025.

Updated penalties summary:

- Penalty for late submission of the notification on MNE group membership: **1 SM** (UAH 3,028) **per calendar day** of delay, **but not exceeding 50 SM** (UAH 151,400) – the maximum penalty threshold has been reduced by half.
- Penalty for failure to submit the notification on MNE group membership: **100 SM** (UAH 302,800) – the penalty amount has been doubled.
- Penalty for late declaration of CTs in the submitted report on CTs (applicable if a revised report is submitted): **1 SM** (UAH 3,028) **per calendar day** of delay, **but not exceeding 300 SM** (UAH 908,400) **or 0.5%** of the undeclared CT amount (whichever is lower) – the options for calculating the maximum penalty have been expanded.

The adopted changes are part of Ukraine's efforts towards obtaining OECD membership.

In the meantime, other TP-related penalties in Ukraine remain unchanged. The key ones include:

Violation	Penalty
Failure to submit the report on CTs or master file	300 SM (UAH 908,400)
Failure to submit the CbC report	1,000 SM (UAH 3,028,000)
Failure to submit the TP documentation	3% of the CT amount, but not exceeding 200 SM (UAH 605,600)

Violation	Penalty
Late submission of the report on CTs	1 SM (UAH 3,028) per calendar day of delay, but not exceeding 300 SM (UAH 908,400)
Late submission of the TP documentation	2 SM (UAH 6,056) per calendar day of delay, but not exceeding 200 SM (UAH 605,600)
Late submission of the master file	3 SM (UAH 9,084) per calendar day of delay, but not exceeding 300 SM (UAH 908,400)
Late submission of the CbC report	10 SM (UAH 30,280) per calendar day of delay, but not exceeding 1,000 SM (UAH 3,028,000)
Failure to declare a CT in the report on CTs	1% of the undeclared CT amount, but not exceeding 300 SM (UAH 908,400)
Failure to declare a member of MNE group in CbC report	1% of undeclared member's income of CT that was not declared in the report, but not exceeding 1,000 SM (UAH 3,028,000)
Submitting inaccurate information in the CbC report	200 SM (UAH 605,600)
Submitting inaccurate information in the notification on MNE group membership	50 SM (UAH 151,400)

PKF Comment

The adopted amendments, like most changes to tax legislation in recent years, align with Ukraine's efforts towards further EU integration, demonstrating the country's commitment to strengthening tax compliance frameworks and adhering to international best practices. They reflect a balanced effort to enhance enforcement while taking into account economic realities. It is worth noting that TP-related penalties are among the largest tax penalties applicable in Ukraine. However, their primary purpose is to promote greater transparency and compliance with regard to TP best practices.

If you believe any of the above measures may impact your business or require any advice with respect to Ukrainian taxation, please contact Sviatoslav Biloblovskiy at s.biloblovskiy@pkf.ua or Yuliia Yaniv at y.yaniv@pkf.ua or call **+380 44 501 25 31**.

BACK 

United States

Key provisions of 'The One, Big, Beautiful Bill Act'

On 4 July 2025, 'The One, Big, Beautiful Bill Act' (OBBBA) was signed by the president and became law. OBBBA has a wide range of tax provisions – some simply extending current law that was set to expire, others enacting significant changes compared to the prior tax code. A comparison between the law prior to OBBBA enactment versus the new law is shown below for key provisions.

Key provisions

Provision	Prior law	New law	PKF observations
Tax rates	Tax rates scheduled to end after 2025. For individuals, tax rates are 10%, 12%, 22%, 24%, 32%, 35% and 37%. For trusts and estates, the rates are 10%, 24%, 35% and 37%. The corporate tax rate is 21%.	Extension of tax rates – the current income tax rates would continue for individuals, estates and trusts and be indexed for inflation. No change to the corporate tax rate.	Taxpayers will avoid the potential tax increases that would have occurred with the prior law expirations.
Qualified business income (QBI) deduction for pass-throughs	QBI deduction (IRC section 199A) of 20% ending after 2025.	QBI deduction (IRC section 199A) of 20% is permanent and increases the deduction limit phase-in range to \$75,000 (\$150,000 for joint filers). In addition, the minimum QBI deduction is \$400 if total active qualified trade or business income is at least \$1,000. The minimum deduction and minimum business income thresholds are indexed annually for inflation. Effective for tax years beginning after 31 December 2025.	More taxpayers will benefit from the QBI deduction because of the increased limits on phase-in ranges.
State and local tax (SALT) deduction cap	SALT deduction capped at \$5,000 (\$10,000 married filing joint).	SALT deduction increases to \$40,000 for 2025, \$40,400 in 2026 and by an additional 1% annually in 2027–2029. SALT deduction is phased out for taxpayers with modified adjusted gross income (MAGI) greater than \$500,000 in 2025. The phaseout threshold increases to \$505,000 in 2026 and by 1% annually thereafter. For higher income taxpayers, the cap is reduced by 30% of the excess MAGI over the threshold amount with a minimum deduction of \$10,000. The changes are effective for tax years 2025–2029 with the SALT cap reverting to \$10,000 in 2030.	Benefits taxpayers located in high-tax states and allows them to deduct more of their state and local taxes. However, some taxpayers may find they do not benefit because of the new phaseouts at higher income levels.

Provision	Prior law	New law	PKF observations
Estate tax exemption	Estate and gift exemptions are \$13.99 million per individual for decedents dying and gifts made in 2025.	Extension of increased estate and gift tax exemptions and permanent enhancement – gift and estate tax basic exclusion would be \$15 million beginning in 2026 and would be indexed for inflation.	Increased exemptions allow individuals to transfer more wealth tax-free which reduces potential federal estate tax liabilities. The permanence of the increase avoids the potential for future cliffs, a concern under prior law. Higher exemptions also provide a greater ability for charitable gifting.
Bonus depreciation	Bonus depreciation rate for 2025 is 40%, 2026 is 20% and full phaseout to 0% in 2027.	Permanently extends and modifies bonus depreciation to 100% for property placed in service on or after 19 January 2025. There is a limited transitional election available to apply pre-law phase-down rates instead of 100%.	Businesses can fully expense bonus depreciation eligible assets, creating an incentive for investment. For 2025, the placed-in-service date will be of great importance and a point of contention with the IRS, given the different expensing rules for property placed in service just before 19 January 2025.
Research and development (R&D) expensing (IRC sec. 174)	Businesses are required to capitalise and amortise R&D expenditure over five years for domestic R&D expenses and 15 years for foreign R&D expenses.	Restoration of full expensing for R&D costs. Full expensing will be treated as a change in accounting method. Taxpayers would still have the option to amortise domestic R&D expenses over a period of at least five years. The treatment of foreign R&D expenses is unchanged. Taxpayers will be permitted to elect to accelerate the remaining deductions for prior capitalised R&D expenses over a one-year period or a two-year period. In addition, small taxpayers can apply the deduction retroactively to tax years beginning after 31 December 2021. Small taxpayers are taxpayers that have average annual gross receipts of \$31 million or less over the three tax years prior to the first tax year beginning after 31 December 2024.	Businesses can immediately deduct domestic R&D expenses – improving cash flow. There are several planning points around small taxpayers with elections to accelerate past deductions over one or two years, versus going back to amend prior year returns.
Business interest deduction (IRC sec. 163(j))	Business interest deduction computation under IRC sec. 163(j) was calculated using an EBIT approach – excluding depreciation and amortisation deductions.	Restoration of business interest deduction computation under IRC sec. 163(j) to include an add-back for depreciation and amortisation expense (EBITDA approach).	Businesses will benefit from the larger computation base and be able to deduct more interest expense.

Other key items to watch for businesses (in general)

Provision	Prior law	New law	PKF observations
IRC sec. 179 depreciation	IRC section 179 expense limit is \$1 million for 2025. The section 179 expense is reduced dollar for dollar when total qualifying property placed in service exceeds \$2.5 million.	Increase of IRC section 179 expense limit to \$2.5 million beginning in 2025 and indexed for inflation annually. The section 179 expense is reduced dollar for dollar when total qualifying property placed in service exceeds \$4 million.	The increased deduction limit and qualifying property threshold allow businesses to deduct a larger portion of their capital investments – thus reducing their taxable income.
Paid family leave tax credit	Businesses receive a tax credit for providing family and medical leave to their employees. The credit is a minimum percentage of 12.5% of the amount of wages paid to a qualifying employee while on family and medical leave for up to 12 weeks per year. The credit is increased by 0.25% for each percentage point in which the amount paid to the employee exceeds 50% of the employee's wages, up to a maximum of 25%.	The paid family leave tax credit has been made permanent. In addition, employers may now claim a credit for a portion of the premiums paid towards paid family leave insurance policies. Lastly, part-time employees are now eligible along with employees that have completed at least six months of service.	Employers have multiple ways to provide leave – such as through direct wage payments or through insurance premiums and businesses can support a more diverse employee base with the inclusion of both part-time employees and newly hired employees with at least six months of service.
Employer-provided childcare credits	Employers could claim a non-refundable tax credit of 25% of qualified child-care expenditure with an annual credit cap of \$150,000.	Enhancement of employer-provided childcare credits – increase of credit from 25% to 40% to a maximum credit of \$500,000 and 50% for small businesses up to a maximum of \$600,000 beginning in tax years after 31 December 2025. There are also provisions for jointly owned or operated childcare facilities.	Substantial tax relief for employers that invest in childcare services for their employees. In addition, small employers can combine resources to provide childcare services together – thus making it more feasible for small employers to take advantage of the credits.
Form 1099 reporting	Form 1099 reporting threshold is \$600.	Increase in Form 1099 reporting threshold from \$600 to \$2,000 and annual increases indexed for inflation.	Reduced reporting requirements for businesses.
Tip credit	Tax credit on tips is available to employers in the food and beverage industry for employer-paid Social Security and Medicare taxes on employee tips. The credit calculation uses a fixed minimum wage of \$5.15/hour as a baseline.	Tax credit on tips has been extended to services to a customer or client in the barbering and haircare, nail care, aesthetics and body and spa treatment service industries effective for taxable years beginning after 31 December 2024. The credit calculation for the beauty service industries will use the federal minimum wage in effect during the month the tips are received as a baseline.	More service-oriented businesses where tipping is the norm will experience tax relief. There may be opportunities to adjust tip policies and compensation structures to maximise credit eligibility.

Provisions for specific industries

Provision	Prior law	New law	PKF observations
Opportunity zones (OZ)	Investment in OZs, or low-income communities that provides investors with tax incentives for investing in qualified opportunity zone funds (QOFs). Investors were able to defer 10% of the gain if the QOF is held for five years and an additional 5% if held for seven years. The seven-year benefit period expired in 2019 and is no longer attainable. If investors hold the QOF for 10 years, they can elect to exclude 100% of the gain on the appreciation of the QOF investment itself.	Permanent OZ policy that builds on current policy and creation of rolling 10-year OZ designations beginning 1 January 2027. Also preserves current OZ benefits and provides additional benefits such as the exclusion of 30% in capital gains for investments in rural OZs after a five-year holding period and the option to defer up to \$10,000 of ordinary income by investing in QOFs.	Greater opportunities for tax-advantaged investments while benefiting rural areas through increased investment and economic development.
Energy tax credits	Energy tax credits expiring in 2032.	The commercial clean vehicle credit ends on 30 September 2025 and, generally speaking, most other energy credits have expedited sunset periods.	Businesses will need to evaluate the impact of the elimination of energy credits on their business models and clean energy project developers will need to expedite project timelines to meet the new deadlines to qualify for available credits.
Employee retention credits (ERC)	The ERC claims were paused on 14 September 2023 and on 8 August 2024, the IRS announced that it had processed ERC claims filed between 14 September 2023 and 31 January 2024. Employers had a three-year statute of limitations for claims.	Updates to the ERC under IRC sec. 3134 which applies to ERC claims for Q3 and Q4 of 2021. OBBBA retroactively prevents the IRS from processing or paying ERC claims for these quarters if those claims were filed after 31 January 2024. This does not appear to apply to claims filed for other quarters, however. Adds an extension of time for the IRS to challenge a claim to six years from the latest of the date the original return was filed, the date the return was treated as filed or the date a claim or refund was made, for claims related to Q3 and Q4 of 2021. Requires ERC promoters to comply with due diligence requirements to taxpayer eligibility and applies a \$1,000 penalty for each failure to comply. Also extends the penalty for excessive refund claims to employment tax refund claims.	Businesses should assess the status of any ERC claims filed after 31 January 2024 and consult with tax professionals. In addition, businesses should ensure all necessary documentation supporting ERC claims is detailed and readily accessible with the increase in the statute of limitations.

International tax

Provision	Prior law	Provisions – As passed	PKF observations
Section 951A	Section 951A global intangible low-taxed income (GILTI) allowed for a reduction of a controlled foreign corporation's (CFC) net tested income by 10% of the CFC's qualified business asset investment (i.e. investment in tangible assets).	GILTI is amended by removing the benefit of the qualified business asset investment and replacing the reference to GILTI with net CFC tested income throughout the code.	The removal of the benefit for qualified business asset investment negatively impacts clients that have material investments in tangible assets outside of the US (i.e. hotel/hospitality, factories, etc.).
Section 250 deduction	The section 250 deduction was 37.5% for foreign-derived intangible income (FDII) and 50% for GILTI. These deductions were scheduled to be reduced to 21.875% for FDII and 37.5% for GILTI for taxable years beginning after 31 December 2025. The effective tax rate on GILTI was 10.5% to 13.125% for tax years beginning before 1 January 2026 and was scheduled to increase to 13.125% to 16.406%. The effective tax rate on FDII was 13.125% for tax years beginning before 1 January 2026 and was scheduled to increase to 16.406%.	Reduces the current section 250 deduction to 33.34% for FDII and to 40% for GILTI (now referred to as net CFC tested income). These rates are intended to remain in place indefinitely. Additionally, similar to GILTI, references to FDII are replaced with foreign-derived deduction eligible income throughout the code. The effective rate on net CFC tested income increases to 12.6%–14%. The foreign-derived deduction eligible income effective tax rate is 14%.	The section 250 deductions were scheduled to decrease and the new law is a middle ground from the expected reduction. This is a win for taxpayers who have net CFC tested income.
Base erosion anti-abuse tax (BEAT)	BEAT is a tax which is designed to prevent multinational corporations from reducing their US tax liability by shifting profits outside the US through payments made to related parties (usually in lower tax jurisdictions). This tax only applies to large corporations with average annual gross receipts of \$500 million.	Modifies the BEAT by increasing the BEAT tax base to 10.5%. Additionally, there are minor modifications to some of the other references in section 59A.	The BEAT tax base was scheduled to increase to 12.5% starting in tax years beginning after 31 December 2025 and the more moderate increase is a win for the corporations to which it applies.
CFC look-through	Section 954(c)(6) precludes dividends, interest, rents and royalties from the definition of foreign personal holding company income to the extent it is from a related party CFC ('CFC look-through') provided it meets certain factors. Under 954(c)(6)(C), the CFC look-through applied to tax years of foreign corporations beginning after 31 December 2005 and before 1 January 2026. These CFC look-through rules have been extended multiple times.	Section 954(c)(6)(C) is amended to permanently extend the CFC look-through rules.	It was expected that the CFC look-through would be extended, as there has been a history of extension for this provision. A permanent extension allows businesses relying on the CFC look-through to more effectively plan for the future without concerns about the provision sunset.

Other key items to watch for individuals

Provision	Prior law	New law	PKF observations
No tax on tips	Tips were treated as taxable income and subject to federal income taxes.	No tax on tipped income capped at \$25,000 for qualified tips. This is structured as a deduction which taxpayers can take even if they do not elect to itemise deductions. The deduction phases out by reducing the \$25,000 cap by \$100 for every \$1,000 over \$150,000 (\$300,000 joint filers). This provision is set to expire for taxable years beginning after 31 December 2028.	There are some slight hoops to jump through, but this should ultimately result in a reduced tax burden on employees in the service industry. Employers need to be aware of the reporting requirements as regulations and guidance are released.
Tax on overtime	Overtime was treated as taxable income subject to federal income taxes.	No tax on overtime wages capped at \$12,500 (\$25,000 joint filers) and phases out when modified adjusted gross income exceeds \$150,000 (\$300,000 joint filers) in a similar calculation as above. Like the no tax on tips provision, this is structured as a deduction which taxpayers can take even if they do not elect to itemise deductions. Additionally, this provision is set to expire for taxable years beginning after 31 December 2028.	Similar to the above, there are some hoops to jump through, but this should ultimately result in a reduced tax burden on middle class employees.
Section 1202 qualified small business stock (QSBS) gain exclusion	Minimum holding period of five years for 100% gain exclusion, gross asset limit of \$50 million and gain exclusion cap of the greater of \$10 million or 10 times the adjusted basis in the stock.	Higher gain exclusion cap of \$15 million, a tiered phase-in of gain exclusion for holding periods of less than five years (with benefits starting at three years) and a higher gross asset limit of \$75 million. The exclusion cap and gross asset limit are indexed for inflation annually. These enhancements apply to QSBS acquired after the date of enactment. QSBS acquired on or before this date are subject to previous rules.	Provides for greater flexibility in exit strategies and allows for investors to invest more funds with qualifying small business while getting a substantial exclusion on gains.
Child tax credit	The special tax rules for child tax credit allowed for a \$2,000 credit for tax years beginning after 31 December 2017 and before 1 January 2026.	Permanently incorporates the special rules and increases child tax credit to \$2,200 per child.	This provision permanently increases the child tax credit which will leave families one less thing to worry about around tax season.
Standard deduction	Special rules were introduced to increase the standard deduction for tax years beginning after 31 December 2017 and before 1 January 2026, from \$4,400 for head of household to \$18,000 and from \$3,000 for everything else to \$12,000 (\$24,000 joint filers).	The special increase to the standard deduction was made permanent and increasing the \$18,000 to \$23,625 and the \$12,000 to \$15,750 (\$31,500 joint filers). This increase applies to tax years beginning after 31 December 2024.	This provision along with maintaining the individual tax rates passed with the Tax Cuts and Jobs Act (TCJA) will keep taxpayers at roughly the same post-tax income they were at following the enactment of TCJA.

Provision	Prior law	New law	PKF observations
Tax on car loan interest	Under prior law, car loan interest was considered personal interest and deductions were not allowable.	A deduction is allowed for up to \$10,000 for auto loans on qualified passenger vehicles. The deduction is available for tax years beginning after 31 December 2024 up to and including tax years beginning before 1 January 2029.	This provides an additional benefit to the high percentage of taxpayers who are financing vehicle purchases.
Alternative minimum tax (AMT)	Special rules were introduced to increase the AMT exemptions and phaseout thresholds for tax years beginning after 31 December 2017 and before 1 January 2026.	Made the special rules related to the AMT exemption and phaseout thresholds permanent.	These rules were introduced with the TCJA and are made permanent under the latest tax legislation.
Deductions for residential interest and casualty losses	Special rules were introduced for tax years beginning after 31 December 2017 and before 1 January 2026, to limit the deductions for qualified residential interest and casualty loss deductions.	Permanent extension of limitation on deduction for qualified residential interest and casualty loss deductions.	
Miscellaneous itemised deductions	Miscellaneous itemised deductions were disallowed for tax years beginning after 31 December 2017 and before 1 January 2026.	Permanent extension of the disallowed miscellaneous itemised deductions; however, unreimbursed employee expenses for eligible educators are allowable deductions.	
Limitation on itemised deductions	When an individual's adjusted gross income exceeds the applicable amount in section 68, a limitation is applied to their itemised deductions. These limitations were put in place for tax years beginning after 31 December 2017 and before 1 January 2026.	Permanently limits the itemised deductions on high income earners with a slightly different calculation than the current section 68.	
Scholarship credits	No previous law	Tax credits for individual contributions to scholarship-granting organisations – up to \$1,700.	The benefit here is small but is a step towards encouraging investment in individuals who wish to seek higher/better education.
Floor on charitable contribution deductions	60% adjusted gross income (AGI) limitation for cash gifts. No minimum limitation or floor for charitable gifts.	Effective for tax years beginning after 31 December 2025, adds a 0.5% floor on charitable contributions for taxpayers who elect to itemise their deductions for taxable years after 31 December 2025. Only the portion of charitable contributions exceeding 0.5% of an itemised taxpayer's AGI would be deductible. Also permanently extends the 60% AGI limitation on cash gifts.	Reduces the tax benefit of charitable giving for taxpayers who itemise their deductions.

Provision	Prior law	New law	PKF observations
IRC sec. 529 plan updates	For K-12 expenses, only tuition up to \$10,000 per year was eligible for distributions from 529 plans. For college expenses, tuition, fees, room and board, books and equipment were eligible expenses.	Additional elementary, secondary and home school expenses treated as eligible education expenses and creation of a federal programme, 'Trump accounts', that are similar to 529 state plans.	Additional expenses are eligible expenses for 529 plan distributions; however, it will be imperative to check state rules for eligible distribution expenses as they may differ from federal rules.
Clean vehicle credit	Taxpayers were allowed a credit determined under section 30D for qualifying 'clean vehicles', which was set to expire for vehicles placed in service after 31 December 2032.	Termination of clean vehicle tax credit effective for vehicles acquired after 30 September 2025. Other clean energy credits are also terminated mostly for expenditure made after 31 December 2025.	The removal of these provisions will reduce the benefit of buying clean energy products in the future. Taxpayers will need to reach out to dealerships to see if it is possible to expedite their clean vehicle delivery.

There are also changes for not-for-profits discussed [here](#) and private foundations discussed [here](#).

There are also several provisions that were included in earlier versions of both the House and Senate bills **that did not make the final cut**:

1. Increased gross receipts threshold to \$80 million (from \$25 million) for small manufacturers for simpler accounting methods.
2. The House version of the tax bill included a provision for an increase to 23% for the IRC sec. 199A QBI deduction but the increase did not make it to the final bill.
3. The Senate reconciliation version of the tax bill included limitations on pass-through entity taxes (PTET) in conjunction with the SALT cap but this did not make the final bill. The previous version only allowed individuals to deduct unused portions of their SALT cap plus the greater of \$40,000 of their allocation of their PTET or 50% of their allocation of PTET.
4. Additionally, as discussed in our previous article, the Treasury Department announced a deal with G7 allies which would exclude US companies from some taxes imposed by other countries

(i.e. Pillar 2 and digital service taxes), in exchange for removing the new section 899, what some were calling the 'revenge tax', from The One, Big, Beautiful Bill. Section 899 was introduced to impose a tax on foreign-owned US corporations, if the owner was in a country which imposed 'unfair' taxes on US businesses. The addition of section 899 had many people worried about future foreign investment into US businesses.

5. Proposed taxes on wind, solar and litigation funding were excluded.



PKF Comment

If you believe any of the above measures may impact your business or personal situation or require any advice with respect to US taxation, please contact Christopher Migliaccio at cmigliaccio@pkfod.com or call +1 646 699 2890.

BACK



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